



Common Missteps When Developing International Sales

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Background – Michael Stone, Stone & Associates

Export Sales/International Growth

- Co-architect and program leader of ExporTech
 - Structured export growth process
 - Developed for MEP National Network and US Commercial Service
 - Assisted hundreds of small and mid-market manufacturers nationwide
- Strategic planning, coaching with individual manufacturers on global growth strategies
- Led major studies on strategies of successful exporters (US DOC)
- Led major strategy development projects on International Trade Administration programs
 - Tradeshows, trade missions, strategic partnership programs

Strategic Consulting Projects for Manufacturers with Global Scope

- Small and mid-market to Fortune 500 companies
- Typical engagements involved assessment of markets and competitors
- Experience in global markets throughout North America, Europe, Asia and Latin America
- Wide range of industry experience, primarily with manufacturing and product companies

Agenda

- Welcome and Introductions
- Common Missteps when Developing International Sales
 1. Unclear message about differentiators from competition
 2. Inadequate vetting and management of sales and distribution channel partners
 3. Gaps in evaluation and selection of target markets
 4. Gaps in international marketing
 5. Failure to take steps to reduce risk
 - Payment
 - US export compliance
 - Brand
 6. Not taking full advantage of state and federal resources
- Q&A and Discussion

Common Misstep #1

Unclear Message About Differentiators
From Competition

Exporters Must Give Customers a Reason to Buy from Them Versus Competitors

Critical for acquiring new international customers

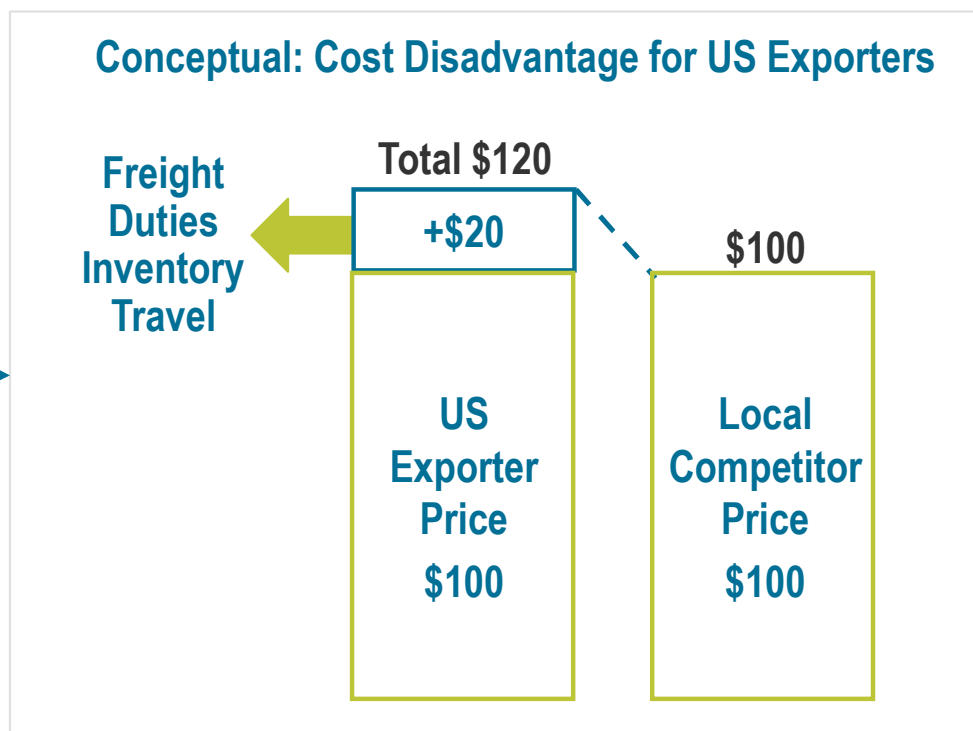
- **Challenges for US exporters**

- Higher cost
- Preference for local suppliers
- Lack of brand recognition in international markets



- **Difficult for US exporters to compete if perceived as “me-too” product or commodity**

- Compete primarily on price
- Difficult to compete with local suppliers (outside N America)



Exporters Need to Sharpen Their Story About How They are Unique or Superior Versus Competitors

- Most companies can benefit by refining their value proposition
- Common gaps in exporter value propositions:
 - Not specific or concrete customer benefit
 - Competition can make the same claims
 - Lack of consistency in sales and marketing communications
- Question to Ask Yourself:
 - Do you have external/objective feedback from customers to validate your perception of what differentiates you?

Breaking down the value proposition

Example of Industrial Indicators' SmartBolts

Strategic Advantage

What sets you apart from competitors?

- Patented Visual Indication System turns from red to black as you tighten the bolt



Differentiator/Reason to Buy from You vs Competitors

What does it mean for the customer? (How does advantage translate into a superior customer benefit or lower cost vs alternatives?)

- Simple visual inspection of bolt tightness, allowing for reduced downtime and inspection/maintenance labor as well as improved safety



Proof that You Can Deliver

How do you demonstrate that you can deliver what you promise?

- *Quantified benefit:* In a typical two week maintenance cycle, on an installation of 1000 fasteners, SmartBolts® can reduce maintenance time by 80%



Target Customers and Markets

Who values your advantage?

- Wide range of safety critical joints; dangerous or difficult to reach environments



Common Misstep #2

Inadequate Vetting and Management of
Sales and Distribution Channel Partners

Managing Sales and Distribution Channels



- How will you sell?
 - Distributors/re-sellers?
 - Reps?
 - US salespeople?
 - Export mgmt co?
 - Foreign sales office?
 - Multi-channel?
- How will you identify and evaluate potential channel partners?
- How will you manage channels to maximize performance?



Managing Sales and Distribution Channels




- Partner selection is critical and should be based on due diligence
- It's risky to partner with the first company that “walks through the door”
- Be clear about what makes an attractive partner – develop a profile and evaluation questionnaire
- Consider whether they have relationships in your target market
- Contact the State of DE
- Conduct background checks

Evaluating Channel Partners – Factors To Consider

Factors to Consider in Evaluating a Channel Partner

Importance
(High/Med/Low)

- | Factors to Consider in Evaluating a Channel Partner | Importance
(High/Med/Low) |
|--|------------------------------|
| • Key accounts, markets served, relationships in your key target markets | |
| • Technical, product or industry expertise | |
| • Geographic locations/territory | |
| • Your importance to their business/sales volume required to justify taking on your line | |
| • Large, broad line partner vs smaller, focused player | |
| • Complementarity of product mix, and do they represent competitors | |
| • Alignment of product positioning between their current product lines and your line | |
| • Sales growth history and growth plan | |
| • Field salespeople (number, background, training, performance, compensation and incentives, sales techniques, reporting, use of CRM) | |
| • Do their incentives or strategies favor some brands/products over others | |
| • Marketing team, activities and capabilities (how to generate leads, tradeshow participation, media, web/digital marketing, newsletter, etc.) | |
| • Ideas about how to effectively market and sell your line | |
| • Capability to manage inventory, delivery; knowledge of importing logistics | |
| • Language capabilities/translation capabilities | |
| • Maintenance, service and support capabilities | |
| • Financial health | |
| • References from other suppliers | |
| • Alignment (strategic goals aligned? passion?) | |

- 
- Which factors are important to you?
 - What is the profile of an ideal channel partner?
 - Develop a channel partner application or questionnaire that incorporates those factors you ranked “high” or “medium”

Managing Sales and Distribution Channels



Managing Channel Partners – Performance

- ✓ Set and manage to targets
 - Sales and growth
 - Activities that drive sales (e.g. # appointments, tradeshow participation)
 - Regular reporting/CRM
- ✓ Regular communication
 - Regular sales meetings
 - Joint sales calls
 - Sales training
 - CRM/Tracking Sales Funnel
 - Joint planning
- ✓ Ask partners what they need, and how you can help
- ✓ Incentives and sharing expenses
 - Market Development Funds
 - Sharing tradeshow and other marketing expenses

Common Misstep #3

Gaps in Evaluation and Selection of Target Markets

Resources and Bandwidth are Limited, So Exporters Will Benefit from Strategic Focus

- Target a limited number of attractive the markets which offer greatest chance of success
 - Companies sometimes target too many markets or spread themselves too thin
- What does targeting a market mean?
 - Prioritize sales effort in those markets
 - Find channel partners (reps/distributors) and build relationships in those countries and end-markets
 - Tailor marketing activities for those markets
 - Participate in tradeshow/events that are aimed at those markets
- Targets can shift if you see strong demand in markets that were not original targets

Target Market Selection – Selecting the Most Attractive Markets

- Select “holistically” based on multiple criteria – increases likelihood of success
 - Consider market size, growth and potential, but *also* consider:
 - Pricing, costs and margins (e.g. Is the market highly cost competitive? Will freight costs make you uncompetitive?)
 - Current or immediate opportunities (Do we have leads already in this market? Do we have a strong channel partner there?)
 - Competition/differentiators (Do we have a strong competitive position and value proposition in that market?)
 - Potential business or regulatory barriers (Lack of intellectual property protection? Regulatory requirements?)
 - Look for showstoppers - barriers so big the market is not viable (e.g. import duties and taxes)

Target Market Selection Worksheet – Countries

Which Country Markets are Most Attractive?

Evaluation of Potential Markets

High, Medium or Low Attractiveness

Evaluation Criteria

Canada

Mexico

Germany

W Europe
overall

Brazil

1. Market Size, Potential and Growth Trend

(Potential size and growth of the market for your product)

M

M

H

H

H

2. Pricing, Margins and Costs / Investment Requirements

(Price, profit and cost in this market; investment required for success)

H

M

M

M

M

3. Current Opportunities

(Current inquiries, business relationships, facilities of US customers, strong channel partners in market)

H
(good rep)

M

L

L

M

4. Competition and Differentiators

(Do customers have a reason to buy from you versus competitors? How do you compare to competition, in terms of product, service and price/delivered cost? Is this market a good match to your capabilities?)

H

H

L-M

L-M

M

5. Business or Legal Climate

(GDP per capita, economic growth/decline, corruption, currency, language, tariff/VAT/trade barriers, legal risks, regulatory barriers, intellectual property protection)

H

M

M

H

L
(tariffs)

Overall Evaluation

Top
priority
target

Target

Good market, but strong
European competitor,
and no existing reps or
leads

Can't be
com-
petitive
due to
tariffs

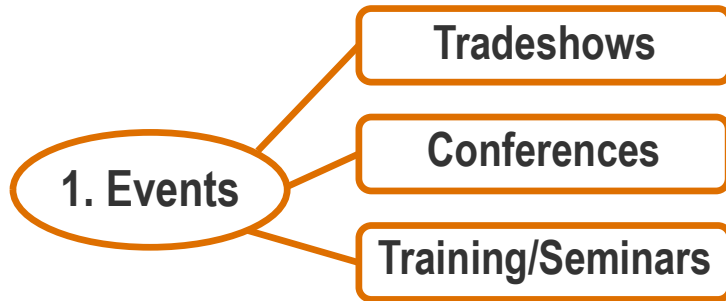
Common Misstep #4

Gaps in International Marketing

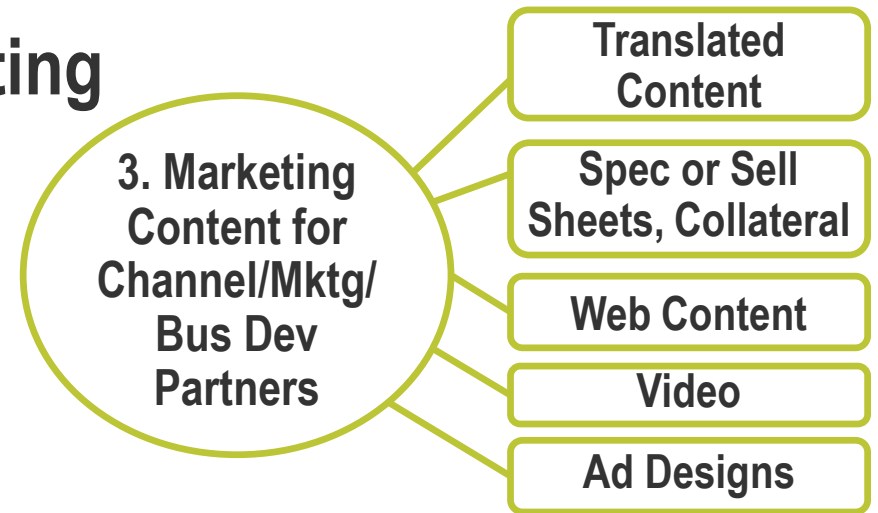
Many Firms Underinvest in Marketing

- Difficult to grow without marketing spend
- Common gap areas:
 - Need to adapt web presence and content for international markets
 - Insufficient media spend
 - Insufficient investment in in-bound marketing

Framework for International Marketing



Most SMMs participate in global trade events – the number varies considerably

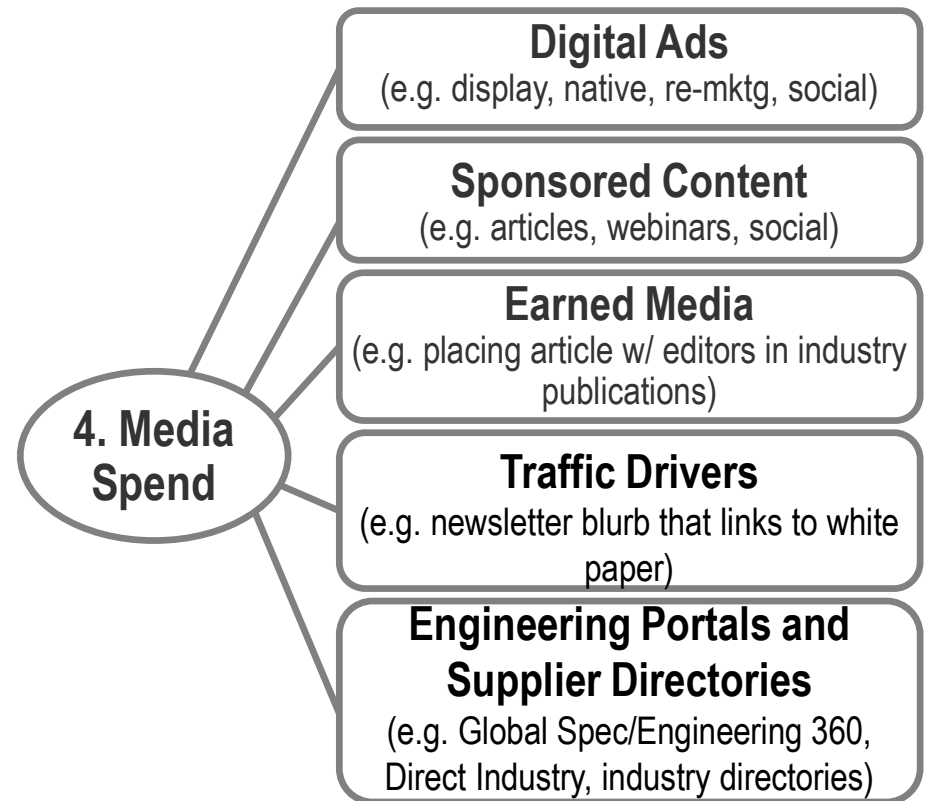


Most SMMs provide marketing content for channel partners – plan is usually to fill gaps



An Export Acceleration System
for Achieving Profitable Growth

Most cos should engage in SEO and build content for international



Most SMMs spend limited amount on media. Suggested plan: determine what you might spend, select high priority activities, measure results

Website Globalization – Issues to Consider

- International formats and standards
 - +1 country code, direct dial as well as 1-800
 - USA in address, spell out state
 - Call out for international (“for international sales contact ____” or page for international inquiries)
 - Metric and date formats, address formats, time zones
- International SEO
 - International search engines (registration, different SEO factors)
 - International keywords – tags/headings/titles and content
 - Translated content
 - Local back links
 - Page load speed
- Translation/localization
 - Could be just 1 page
 - Google Translate
 - Use of video and localized images
- Domain structure and country/language targeting
 - URL structures: ccTLD [e.g. “.ca” for Canada] vs subdomains vs subdirectories
 - Language parameters and geo-targeting, Google Search Console
 - For smaller companies *subdirectories* may be the best approach (example.com/de) – less expensive, consolidates domain authority

Common Misstep #5

Failure To Take Steps To Reduce Risk

Payment Risk

Solution: Export Credit Insurance

Key Points

- Covers up to 95% of receivables risk
- Increases borrowing base
- Sales tool – can offer terms (versus advance payment or letter of credit)
- Affordable
- Single buyer, a few buyers or whole export portfolio

Limits

- Non-defense/military
- Generally 50% US content requirement
- Restricted countries (country limitation schedule)

Additional information:

- <https://www.exim.gov/solutions/export-credit-insurance>
- <https://grow.exim.gov/blog/export-credit-insurance-faqs>

US Export Compliance Risk

Solution: Establish Export Compliance Program

Relevant Compliance Issues

- Restrictions on who sell to or ship to
 - Consolidated screening list
 - OFAC sanctions (and anti-boycott)
 - Red flags, risk of diversion, destination control statement
- Need permission - Export licensing
 - Jurisdiction – DDTC/ITAR vs BIS/EAR
 - Classification – CCL/ECCN and USML
 - Determining whether license is required
 - License applications
- Documentation and Duties
 - HS codes
 - ACE/AES/EEI filings
- Foreign Corrupt Practices Act

Processes To Put in Place

- Build and maintain compliance manual
- Order management – screening list, collecting information on end-user and end-use, ACE filings
- Training staff (and potentially channel partners)
- Record-keeping
- Violations and corrective action

Additional information:

- <https://www.trade.gov/us-export-regulations-0>
- <https://www.bis.doc.gov/index.php/online-training-room>
- <https://www.bis.doc.gov/index.php/compliance-a-training/export-management-a-compliance/compliance>
- <http://www.alloccaenterprises.com/videos.php>
- <http://www.alloccaenterprises.com/books.php>

Protecting Your Brand

Solutions: Trademark

Key Points

- Trademark in significant foreign markets before enter
 - Even before go to show
 - Direct file in country versus Madrid protocol
 - Risk of filing to late
- Agreements with partners
- Buy URLs in foreign markets, even if don't set up website

Additional information:

- <https://www.wipo.int/trademarks/en/>
- <https://www.stopfakes.gov/IPR-Toolkits>

Common Misstep #6

Not Taking Full Advantage of State
and Federal Resources

Did You Know STEP in DE Can Cover a Portion of These Expenses?

Funding

- Up to 50% of eligible expenses
- Up to \$10K per calendar year
- ≤ 3 activities per country over a 5 year period

Concrete Examples of Eligible Activities

- Examples You are Probably Aware Of
 - Adapting web presence/content for international markets (translation, localization, SEO)
 - Tradeshaw exhibition fees
 - Travel expense (airfare, hotel, ground) for one traveler
 - Fees for training, workshops related to exporting
- Examples You May Not be Aware Of
 - Design of marketing media related to a trade event (e.g. ad for an event publication or website, table banners, social media campaign)
 - Shipping samples internationally
 - Consulting support for export business (after consult w/DE)
 - Compliance related product testing, e.g. CE Mark
 - Premiums for ExIm Bank credit insurance
- Delaware has obtained permission for unique requests
 - Foreign translation of patent
 - SciLeads subscription service (lead gen/market intel for scientific companies)

Q&A and Discussion

- Q&A
- What gaps do you see in your international growth strategy?